

Alicia Philips : Excellent. Thank you. Thank you all for joining us today. And I wanna thank our guests for being here. By way of introduction, my name is Alicia Philips Mandaville, I'm the vice president for global development policy and learning at InterAction, which is coalition of non profits. But I came most recently from a bootstrap tech startup, so I'm actually really very excited to be here to talk about this with you all today. I'm even more excited to have a fantastic panel here with us.

[00:00:30]

Let me introduce, immediately to my left, Maryana Iskander, who is the CEO of Harambee, Harambee Youth Employment Accelerator, which is a not for profit company that partners with South African employers to source, place, and successfully retain young first time work seekers. Before that, she was the COO at Planned Parenthood Federation in New York, where she is still on the board. Previous positions included McKenzie and Company, a variety of law firms, Rice University, and as a law clerk on the United States Court of Appeals for the seventh circuit, my favorite circuit. She's also got a BA from Rice University, an MSC from Oxford University, and a JD from Yale Law School. Excellent.

[00:01:00]

Seated immediately to her left is Shaun Church, who is the president of Living Goods. Shaun's first career was actually in the financial markets. He worked for Goldman Sachs in London, and later managed his own hedge fund in San Francisco. But he noticed that there was, in fact, more to life than government bonds, as I suspect many of us have often thought to ourselves, and was drawn to the non profit sector where he worked with street children in India, for fistula patients in Africa, and at Mothers2Mothers scaled up across southern and east Africa a program to prevent mother to child transmission for HIV. Shaun joined living goods as a Kenya Country Director, and is now the COO, where he oversees all the operations and partnerships. I will reveal my biases as an economist to say I'm delighted to say he has a BA in economics from Columbia ... or Cambridge University. Excellent.

[00:01:30]

So as you can hear, we have a great panel. I'm going to adjust this so that you can hear me whether I'm facing you or facing our guests, and I'm going to make the terrible error for putting this in the middle, and someone will tell me if that turns out to be a good or bad idea. All right. I'm getting thumbs up from the corner. I was also excited about this panel because it's the title, Walmart Model Process of Improvements to Drive Cost Effective Scale Up of Evidence Based Innovations. Very few sessions that I participate in start with Walmart.

[00:02:00]

I grew up in Northwest Florida in a small town with not a tremendous number of people. And there was nothing to do other than kind of sit around until there was a 24 hour Walmart. So it added some efficiency and scale to my life as well. Starting from that, and the problem I was solving when I encountered Walmart ... Maybe let me let's start with that, and ask each of you to talk ... let's set the stage for this conversation by asking each of you to talk a little bit about what you're doing, but start from the perspective of the problem you were trying to address. Whether we each work in a private sector driven model or we work in more traditional grant models, all of us think first about what's the development or economic challenge

[00:02:30]

[00:03:00]

we're trying to address.

So let me ask each of you to introduce us to your work, but from that framework.

Maryana I.: Want me to go first?

Alicia Philips : Mm-hmm (affirmative). Great.

Maryana I.: So as Alicia said, I work at Harambee Youth Employment Accelerator. I think the labor market is probably one of the easiest places to think about where the public and private sector kind of have to come together. So if we start with a bit of the problem statement, the international labor organization estimates that there's roughly 75 million unemployed young people, that's a very conservative definition. If you take young people kind of between the ages of 18 and 35, that's our government's definition of youth. Six million of them are sitting in South Africa. And unfortunately, South Africa stands out on the youth employment problem for two reasons.

[00:03:30]

[00:04:00]

The first is that if you look at countries where you often hear about high unemployment rates, Greece or Spain or the like, the real difference is that those rates go up and down with global economic cycles. And in South Africa, we've had a straight upward line for the last twenty years, because the problems are structural. And so, even when global economic cycles improve, we don't see the benefits of that in terms of job rich growth at all. We have a education system that gets very high marks on access and the lowest marks on quality.

[00:04:30]

So even though young people access education, the quality of what they're learning does not translate into what the job market requires. And so, even a young person who finishes what they think is the qualification they need, literally will not be able to get a job because in that kind of economy, employers will look for prior work experience as the signal to hire. So if you're a capable young person, you have despite the odds finished school. You have, despite even more odds, tried to go on beyond secondary education. An employer will look at your resume, see that you went to a school that is not credible in their eyes, that you have no prior work experience, and will toss out your CV basically without looking at it.

[00:05:00]

[00:05:30]

And so, when you have that as a cycle of day in and day out sort of job seeking, you'll never break through because you don't have the networks to know where the jobs are. And again, I think common to many societies and certainly in the South African society, kind of social networks to know where the jobs are are one of the most important ways that people find work. So if I am in a household, again, nobody's working, nobody works in the corporate sector, nobody has jobs where they know where sort of other jobs are, it's just no matter how hard I try I'm not gonna be able to break in.

And so, what Harambee's really trying to do is to understand systemically how do you make the labor market more effective because employers ... there's not enough jobs, so I wanna start by saying that. But there are jobs available in the

[00:06:00] economy, and the question of who gets the available jobs, as well as growing new jobs ... so you have to do both of those, are really the kind of problem questions that we're trying to answer. So on the one hand we work with employers and private sector actors to say, "If you have vacancies, if you're trying to grow your business, if you're trying to understand where labor is the constraint to growth, how can we partner with you and understand what's needed?"

And how do you see a pool of talent, six million unemployed young people who are in many cases, actually have high potential, working very hard, capable of doing the job ... how do we make those more visible to you? And how do we work with you to think of those as talent, not charity, not beneficiaries, not marginalized and disadvantaged people, but talent for your businesses to really kind of grow them?"

[00:06:30] And that is a combination of change management on the demand side with employers, and an enormous amount of investment on the supply side to really close the gaps of a broken schooling system, to close the gaps of information, to close the gaps of social networks, and transition those young people. And if those young people get those jobs, but they can't stay in those jobs, the model doesn't work. And nobody comes back and takes more. And so, they have to be able to stay in those jobs, retain, progress, promote, succeed, for the model to have that impact. And that, in itself, is a significant part of what we have done in the first phase of Harambee. I think that in doing that, what we've seen is no amount of delivery of just doing individual placements into jobs is gonna really fix the labor market's problems.

[00:07:00] And so we really have to partner with industry associations to understand how collective action problems that no one company can fix on its own get addressed, and an enormous amount of work with government to deal with the structural issues, whether it's the quality of schooling, whether it's transport, which with the legacy of apartheid as you can imagine, the spacial mismatch in our society is pronounced. And a lot of times, a young person may live too far to afford to have a job. I don't have actually the money to pay for my transport to get to work, no matter what the wage is. And so, really trying to understand how to tackle those problems that are much more systemic in terms of public sector, as well as the private sector.

[00:08:00] Shaun C.: Great. Fantastic. Living Goods saves children's lives by bringing quality, affordable healthcare to the door steps of where people live. And we had a randomized control trial that showed that we reduced child mortality by 27 percent, and we do this for between one to two dollars per person per year. And why community health is important is without that you rely on people to take themselves to often distant facilities, long journeys, maybe they wait all day there. And even at the end of the day, there may be no medicine because the pharmacy is out of stock.

[00:08:30] Community health can be proactive. It can be timely. And it can have much greater focus on preventative health than facilities will. The problem is that the government community health services tend not to work that well. They rely on

[00:09:00] community health workers to be volunteers, which with the best will in the world doesn't always work because they don't show up, they don't work consistently, they're not supervised well, there isn't much focus on the performance, which means you don't get strong performance, and they're not well equipped, or they're out of stock.

[00:09:30] And so there's a gap there. And the private sector doesn't really fill that gap. The private sector will have little drug stores in communities, but they won't reach more distant places. And it's just not profitable for them to do that. And it's not profitable to provide education, or diagnosis, or referrals, particularly in a proactive outreach way. So there's a gap that both the public sector and the private sector fail to effectively reach. And as a result of that, millions of children die in their communities from easily preventable illnesses. And this is low hanging fruit that we can fix. And Living Goods approach is to develop a hybrid solution, which is to deliver a public good of community health, but to really borrow very heavily from the private sector so that we have this hybrid solution that works.

[00:10:00] And most people would be familiar with Avon ladies that go door to door selling cosmetics. So we borrow from that. But rather than sell cosmetics, we recruit people to go out into their own communities, where they're known and where they're trusted, and they provide free education, free health diagnosis, and then they sell certain medicines and health related products like water filters, solar lights. And from this they earn an income. They buy from us at a wholesale price, and they sell at a retail price. Plus they earn certain targeted incentives we give them like the following up with a woman just after she's had a baby. So all of that income, plus all of the non financial rewards we give them, the recognition, really motivate them.

[00:11:00] And we focus on the biggest causes of child mortality, so malaria, pneumonia, diarrhea, pregnancy, newborn care, nutrition, referrals for immunization. And we have this integrated platform. So rather than ... each time we add something, it's incrementally very cost effective to do so rather than having to create a new expensive vertical silo for each of these. And what lies behind all of this for Living Goods is every community health promoter has a smart phone that we give them. And it's powered with this mobile app that we developed with Medic Mobile. And this is just transforming what we do. It provides accurate consistent diagnosis, a wealth of data, automatic task lists that kind of, based on predictive analytics, telling the supervisor and telling the community health worker where they should go. Performance management, there's targets and how you're doing on your target this month, et cetera, and data that we share with the government.

[00:12:00] So all this combines to be impactful. The randomized control trial in Uganda with our partners showed this reduction of 27 percent, cost effective. At the moment, we operate in Kenya and Uganda. In Kenya, with support from Development Innovation Ventures with the US Aid, reaching out to six million people and with plans over the next few years to quadruple that to 23 or 24 million people. And what's really important for us is working very closely with governments, so this is not a parallel service. We often provide community health, or typically provide

community health on behalf of the government. We work very closely with them.

[00:12:30] And our plan, our vision, is to not just grow ourselves. Maybe we grow, and we're subcontracted by the government, but maybe also we show government or big NGOs how to do what we do, the whole model of the [inaudible 00:12:30] health element. And so really, we have this ambition to transform community health in the developing world by changing the system.

Alicia Philips : If I keep my economist hat on, it's interesting to listen to both of you talk about kind of a very real life example where the supply of something and the demand for something are not actually meeting in the middle. And if we have any economists in the room, they'll either be really excited to hear that or horrified that we're gonna talk about the mismatch of supply and demand. I think that's a really interesting way to think about where there is space for these types of hybrid models, where you understand that there's a mismatch, and you think you can identify a space to start to move it. Maryana, I wonder, can you tell us a little bit more about ... you mentioned making some investments on the student side, on the employee side. What are the kinds of things that that includes? Just so people have a clear sense of that. 'Cause I think we all know what an Avon lady is, but we don't all know what you do to bring the .... impossible employees into better proximity.

[00:13:30] Maryana I.: We describe our model as exactly that, it's trying to solve the mismatch between demand and supply. And if you reflect on what creates that mismatch, to get to your question, is there's market failure. And so, we offer our model to the market, because we're organized as a non profit. It's really sending a signal to the market what our interests are, because it's important that employers understand that they're getting a highly subsidized offering, but they have to pay for it, and that's an important part of our model is that employers pay for the service. And we've tested price elasticity of demand. We know what we charge compared to everybody else in the market. It's not a freebie thing because then it gets treated that way, and the young people get treated that way.

[00:14:00] It's hard work to do that. But it's really important that it's sending also a signal to our government partners and our social investors that this is something that the market pays for and continues to pay for in terms of seeing value in doing that. But what the market pays covers roughly 10 percent of our costs, because state failure is the other 90 percent. So there's a market failure and a state failure and the question is who pays for what. And if you reflect on the causes of the state failure, as I was saying, the education system's the biggest and most significant part of that. The lack of a transport system that allows jobs and people to find each other without a lot of friction is another part of that.

[00:14:30] And so the investments that we make in the young people are really tied to that. There are things that the market can't be expected to pay for at some level. [00:15:00] Although I would say, in every society at the moment, employers are reflecting on whether the schooling systems in their countries are providing what they think they

need for work. So I think that's a global kind of phenomena. But in the case of is it reasonable for the market to expect to pay for big gaps in schooling that they would have expected if somebody finishes high school, or somebody finishes community college, or if somebody finishes university?

[00:15:30]

They ought to be able to perform at a certain level. And when that's not the case and we are, again, to really build off what you said is standing in for government and trying to close some of those gaps on their behalf, bringing young people into a network to be found I think is another place where we make a lot of investment. So it's not quite Avon ladies, but we have discovered that a lot of things we figured out, we got really wrong. And that's how we figured out how to do it differently, so we put an ad in the newspaper to say to young people, "Come." And then everybody waited. And nobody came.

[00:16:00]

And so, that was not a very effective channel. And we tried a bunch of other things, and then they all didn't work. And eventually we hired young people to walk the streets in communities and just talk to young people. What we didn't really understand about that was it built quite a lot of kind of brand credibility of somebody was there that you could ask questions. Somebody was asking you about why you weren't working. Were you looking for work? What were the challenges as you had been trying to look for work? And so, a lot of the investment is in doing things to get young people to be in a network to be found. We have to cover some amount of transport stipends just for them to be able to come. We have learned ... we do psychometric assessments, which are kind of tools to help match people to jobs.

[00:16:30]

[00:17:00]

We, in the early days, started just giving people a sandwich and fruit. And the test scores went up by 30 percent, because it's just the basics. People are hungry and they can't be tested and expected to show their full potential in terms of what they can do in a job if they're hungry. And so I think, again, some of the costs are very basic things that, if I may, cannot be catalytic or innovative, or all kinds of things that social investors want. And so trying to, again, understand what a scale up model that really requires public financing to deal with state failure as distinct from market failure, I think has been a lot of how we've thought about the investments that we have to make in the young people.

Alicia Philips :

[00:17:30]

Thank you. I think that helps a lot clarify kind of what are the actual practical activities that you need to undertake. And I wanna pick up on something you just said about you can ask companies to pay about 10 percent of the cost of what it actually takes to close this gap. And you also, Shaun, similarly said when you were talking about whether or not companies can reach communities for health goods, and you say they'll put a drug store in a place, but they won't necessarily reach, they can't go door to door, they won't reach to less well served communities. In both of those instances, there's kind of a recognition that there are some things that the private sector in this space is well suited to handle. And maybe it's 10 percent in each of these.

And then there's another 90 percent that you have to sort out. As you each thought

[00:18:00] through how you're gonna put this hybrid together, or you grew into the space, how much did you pull from business principles? How much did you pull from non profit principles? And kind of walk us through that decision making process. And maybe, Shaun, if we can start with you.

Shaun C.: I think when we started out, we were very focused on private sector, even aiming initially to be profitable. And we had a very good go at that, and it wasn't gonna work. And if it was gonna work, it was gonna be at such a cost to the impact, that it was like why bother basically. Why just be another distributor? So, for us, we kind of realized that we had to become this hybrid in order to have impact. We had to deliver the public good. It wasn't just enough to have the product. You had to have the education, the diagnosis, the trust and the relationship that goes with that. So, I think we ... impact drove us, or the search for impact drove us towards more thinking about non profit ways of working, or how we can get that impact.

[00:19:00] And I think what also drove us that direction as well was the scale. And for us, the end game is very much government ... either integration of what we do with government, or the government even adoption of versions of what we do. And so, we're kind of very mindful that that has to be, that has to have [inaudible 00:19:19]

[00:19:30] attributes that government's gonna resonate with and that's gonna work with them. So, focusing the impact, the education, the diagnosis, et cetera, all kind of public sector things. But absolutely essential for us is getting the results and delivering on that. And I think the biggest thing that ... and with the number of private sector practices we do, obviously the entrepreneurial model in selling, linking pay to performance, our supply chain is strong in that regard.

[00:20:00] But I think the thing that really lies behind everything we do is looking at the data, setting targets, and then making people accountable, positively and negatively, for those results basically. That's typically associated with the private sector. But once we take that into there, and then we can apply that into the public sector kind of environment, and you can get ... it can have a public sector feel to it and you can have public sector goals, achieve them, but you're just so much more efficient.

[00:20:30] People are motivated. Everyone knows what their targets are. And I think it's marrying those two things together, which we have done by trial and error. But that really feels like it gets results. And you just see a community health promoter in her community, and she's got the smartphone, and she's got the targets, and she knows what she wants to do, and she's motivated and her photo is up in her little branch warehouse 'cause she got the most assessments last month, and maybe she'll get promoted.

[00:21:00] And it's just people are people and they respond to incentives and recognition and supervision. And so, bringing those things together hopefully is the best of both worlds.

Maryana I.: I think a lot of the same. So if I reflect on the model itself. When Harambee was founded, the ideal was to try to say could government pay for half and employers pay for half. So when I arrived, I said I'm not sure that's gonna work because we have now kind of been really like hitting the pavement in the market and the

[00:21:30] market's not gonna pay half. And so what now? Do we try to understand about, again, who's willing to pay for what? And I think that the idea of really kind of innovative ways of thinking about financing ... and Anne Mae Chang, who was formally at the lab, says often there's a lot of room between negative 100, which is a traditional grant and positive 8 percent, which is kind of a money market return. There's a lot of space in between those two things.

[00:22:00] And I think really trying to say what kind of financing for what kind of problem is sustainable. And again, I think this word of sustainability does not mean you're gonna commercialize what you're doing when you are not solving the problem, again, that the market can and will pay for. And so, in the kind of macro sense, we've landed on a model that I think creates a virtual cycle, which is employers pay for something that they have to value, and they don't pay for it from their CSI or their kind of corporate social responsibility, they pay for it out of their operational budgets, their HR budgets, their recruitment budgets, because this is a business cost of what it requires to have talent acquisition in your business.

[00:22:30] Government, I think, has understood that this is a model that is delivering results that are not being delivered by the public employment services, that are not being delivered by an education system that has a cost per job four or five times as much as ours. And so it's worth paying what our very institutional costs; sandwiches, transports, stipends, things that, again, there's ...

[00:23:00] And then, none of that really is gonna sustain if you don't have the innovation and the kinds of things that I think social investors and even our partnership with DIV as well is saying, "How do you really make transformative leaps in what you're doing that the model can scale itself?" And so I think that that's how it's operated at the kind of the level of the model. I think, really just to emphasize what you've said is that, in my sort of life experience, high performance shouldn't be associated with private sector. High performance is what organizations are. And at the end of the day, they're corporate form. And how they are measured by what types of money they have is what makes them a non profit or a for profit.

[00:23:30] And in our organization we have daily targets, people know how many jobs we've done that day. And it absolutely drives a sense of impact, a sense of performance, a sense of delivery, a sense of doing something. And I think that that's also led to an employee value proposition that is important because talent, I think, is actually one of the most important things that delivers performance and that delivers success. And so, being able to provide our people with a place that you come to work, you work really hard, and you know every day what impact you have, has made it easy to recruit the best people out of the private sector, to recruit the best people out of government, and have them understand that this is a place where you come. You work hard. And you know what the result of that is. And you know what the impact of that is.

[00:24:00] And now beginning to say how do you do that at a systems level? And how do you do that in a way that we can see we helped government change this policy and now work seeking, which is actually a very expensive activity, looking for a job and

paying money you don't really have to look for a job, and helping government to understand how to be able to do that?

[00:24:30] If I just end with a small example, we have ... if you assume that the candidate Harambee is trying to support is typically coming from a household that is reliant on social grants or in subsistence or informal ... there's no formal economy income in that household, they get a job and we have given them a transport stipend while they've been in our program whether it's training or matching ... in some cases we don't actually do any training 'cause it's not needed. So we can come back to that.

[00:25:00] How do they manage until the first paycheck? Because none of us get paid the first day of work. Right? That's the thing about working at labor markets is that there's very universal things we all know. We got a job. You wait four weeks, six weeks, eight weeks until the first paycheck.

[00:25:30] So we did a bit of analysis to ask young people how were they managing until they got to the first paycheck. And 11 percent of them were borrowing at 40 percent interest to cover their costs of transport until the first paycheck. Now, when you sit down across from an employer and you tell them that, they're equally horrified. Why? Because they don't think about their workforce coming from households where there isn't enough money in the household to make a plan until the first payday. It just doesn't occur to them. It's an invisible micro barrier that they don't see. So when you say to them: Can we be creative? Can you pay weekly during training? Can you do an advance on the first paycheck? Can you do all kinds of things actually that are quite easy and in your power to solve that problem. And, all of a sudden then, were engaging with their payroll.

[00:26:00] Who' Harambee and why are they in the payroll department? And trying to understand how to get them to operate differently because the reality is if they change their payroll systems to do that, not only will our candidates benefit, but frankly a much larger group of people will benefit. And so now all of a sudden, the young person is not starting a cycle of debt basically in month two of work because they had to do that, or on some cases walking to work, walking miles and miles until that first paycheck. So it's a small example of you change how an employer understands how to get somebody to a first paycheck. It's a systems change, even though it may have impact for the young people that are there in that case.

[00:26:30]

Alicia Philips : I think that's a great example. It's super tangible and I think I wanna come back to kind of creative thinking about finance, not just for employees but actually for the whole enterprise. I wanna divert just for moment first to when I asked about how are you drawing from principles from the private sector and from traditional non profits, both of you talked about things that no one would disagree with, as really good sound principles. Your people matter, incentivizing them to perform well, identifying the actual practical things you need to do and thinking about the gap between negative 100 percent and positive 8 percent.

[00:27:00] There's no non profit I've ever encountered who wouldn't be like, "Yeah. I can get behind every single one of those. I'm ready to try this model too." I suspect there's more rubber hitting the road in the decision to try this model than just agreeing to

[00:27:30] principles that are actually quite easy to get behind. So as you kind of went through this, and think about organizations that maybe have been long established in working in more traditional grant based settings, where does the rubber hit the road on these? What is the hard part of deciding to try a more hybrid approach rather than keep to maybe what you had before, whether that's extremely private sector or that's extremely grant based?

Shaun C.:  
[00:28:00] Well, I think a few things that we would meet some resistance on. One is that we sell medicines very cheaply. We say it's cheaper than free, because it's at your door, you've been diagnosed. We're talking about 50 cents for ACT for malaria. And that could save somebody a whole day and a much more expensive journey, but it still that's an issue. Some people say, "No. Medicine should be completely free." But the revenue from that can generate the margins, which pays for the community health promoter to do it. So it could be free and miles away and no one's going to take account of it. Or it can be free and the supply chain doesn't work, and it's just not there.

[00:28:30] That said, we have just actually done a ... took a bit of innovation, a process innovation, we've just done a test for actually distributing malaria tests and medicine for free, but still incentivizing the community health provider. And we had found very positive results on that. So, I think there can be pushback on that and we're flexible on that. I think, also, there can be pushback about ... everyone's gonna be happy with the positive sides of accountability. And you get a bonus or whatever. But the negative sides, that's a challenge as well. And so, we will let 5 percent of our community health promoters a year go, not readily, and there's a whole process several months of ... there's a flag, there's supervisors, there's customized training for the person et cetera.

[00:29:00] But ultimately, that's a decision that we'll make because that's what will get you results, but it doesn't necessarily make you friends all of the time. We're willing to pay that price, and we explain it to the communities et cetera that this is what we're doing. And someone else then gets that job. So there would be pushback there. And I think also, one of the risks of focusing so much on results is you then become hostage to those results. So, if you're activity based, you can say, "Yes. We've trained this number of people. We did this. And we did that. We checked all the boxes."

[00:30:00] But if you say, "We are gonna pin our flag to the mast of results and these are our targets." And you miss those. Then that's uncomfortable. That pressure to do that and those deterrents for underperforming is partly what drives people. That's only a small part of what we do. Much of it is the positive side that I said. But I think that is, I think to your question, some of the reality of that. And when you're in that public sector sphere, and people think this is a job for life, we can get pushback from that. But you have to disrupt sometimes, and you have to make uncomfortable things happen. And we think our ultimate commitment is to the beneficiaries, to the actual clients we have. And so, what serves them best is king basically.

[00:30:30]

Maryana I.: I mean, I think that the statement that you made is exactly right. All those things sound good. I just think executing them is like a totally different story and I think that the journey that we've been on is exactly the same. So the first is if you think that you have a hypothesis, you gotta stick with it till the end. And sometimes the fear of it doesn't look like it's working. Do we keep going or do we stop? If I think about some of the ... in the early days, we had a plan to reach 10,000 jobs in our first three years, so we did that. We did 40,000 by the next three years. And so, scaled it up in that way.

[00:31:00]

[00:31:30] And if I think about what that was is ... the first plan was let's find 5 employers, they each take 2,000 people, and then we'll be done. So, I said that sounds good. And then, when we went to talk to the five employers, between the five of them they were gonna maybe take a hundred. So now we need to find 9,500 more somewhere else. And I think that it's exactly to your point. Once there's a result, there's a result. And so, how do you get innovative and think very differently and are nimble to change plans against, I think, a strategy?

[00:32:00] The other thing that has been difficult is when funders are trying to take you away from your strategy. Obviously, you have to have resources, but knowing when to say no. And so, I think there have been instances where we've been approached to do something that would just start shifting us in another direction. And definitely, walking away from money in the NGO space is not common, but it's really important that you kind of be clear what you stand for and what you need support for as opposed to the other way around. And I think that that's been a place where we really had to push ourselves and say this is what we need to do.

[00:32:30]

[00:33:00] And I think that the point about results is exactly right. In the workforce development space there is billions, if you take what governments are spending, billions being spent. SO it's not an issue with a money problem. It's an issue with a results problem. And so if I spend money on training and nobody ever gets a job at the end, which is a pretty common model in this space, who is held to account for that? And so, in our model, jobs at the end matter, which is why we don't actually look at training in a traditional way. We don't count training in a traditional way because the end point of the training is that somebody ends up in something that earns income. And so, if training's needed or a lot of training's needed, or a little bit of training's needed, training is an input into something that is not the outcome.

[00:33:30] And we are, at the moment, piloting a pay for performance model. It's not quite a social impact bond, but the principles of that to say, "Why can't we get investors to cashflow the training and then government pays when there's a job?"

[00:34:00] Government doesn't just pay for the training and hope at the end somebody ends up in something. And so, I think that doing a lot of things that really, I think challenge the status quo in this space, has been about saying what are the results. I'll just give a small example. We have a very heavy qualifications driven system, so in order to be a butcher, if I give that as an example, you go through a 12 month program in a classroom. So you actually never see or touch meat, which is the job. And it costs 75,000 Ran, so divide by 13, you'll get the dollar amount. So we said,

[00:34:30] "What if we partner with a butchery school, where we identify young people who are interested in being butchers?" Because actually, the problem with the 12 month program is you don't know if you want to do it or not. They spend all that money. And then, at the end you say, "Oh my God! I didn't realize this is what the job was."

[00:35:00] So we would bring in large groups of young people and have them touch meat, and be around blood, and be in a cold space. And then, they would say, "Okay. I think I can do this." So the match actually got 85 percent of the retention before you got into the training. We had a case where the young people had ... the job was to be on ... it was in a food manufacturing environment, so you had to be on ladders a lot. So we had them come in and be on ladders to make sure they didn't have vertigo, it wasn't going to be something that they were unhappy to do. And so, the idea of helping our government partners understand that matching someones expectations to the job actually delivers most of the success and retention, even before you get into traditional training.

[00:35:30] And so, in the butchery case, we ran a three week program, where people did the job. And then, they were ready to go. But because we didn't fulfill the requirements of the 12 month training, we didn't get paid. Because the money that's available only goes for that, not for the result, not for somebody actually ending up in a job. And so I think, again, trying to not give in to what can be easier ways of doing it because it's ... that's the only way I think you're gonna get to the kind of change that's needed.

Alicia Philips : I wanna pick up on your phrase, "Sometimes you have to say no." And then, actually these examples I've lit them together into a different question, which is ... in both the examples you gave, whether that is people studying wanting to be butchers actually touching meat and being in a cold environments, or people who would need to be on ladders all day actually getting on the ladder, giving them a chance to say "No. Actually this is not the thing that I think I should do." I think when many people think about hybrid models or disruptive or innovative approaches to problem solving and development, we often focus on the yes dimensions.

[00:36:00]

[00:36:30] I'm going to be willing to disrupt this. I'm willing to try this new thing. I'm willing to take a risk and say yes to a risk. But listening to you, I actually wonder if maybe the hardest part is the saying no side, which is never a piece that our community spends a lot of time explicitly talking about. When you think about kind of difficult decisions that you've had to make in maybe the first year you were at this, or the first block of time that you think is most critical, is it harder to decide to do something or is it harder to decide not to do something?

Shaun C.: Well, it's often harder to decide not to do something if it's funding attached to it.

Alicia Philips : Fair. Fair. Yeah.

Shaun C.: And we want to do everything. For instance, we want to add more and more

[00:37:00] services to what we do, and just layer on that integrated platform as much as we can. And we want to be in this county or this country and to do that. But that comes with an opportunity cost basically. And we found initially that, in our randomized control trial we did, that the initial midline of it showed that we weren't having an impact. And this is a few years back now. And at that point we had 17 priority interventions. It was like literally a list of 17 things and the CHPs were going around, and their heads were exploding. So we paired that down. And we paired it down to malaria, pneumonia, diarrhea, and pregnancy and newborn care, and kept it really simple.

[00:38:00] And that's when the impact started to kick in. So having to say no to too much ... now, we've been adding things now, but we add them very selectively. And the first ... and we test everything that we add. And the first test is always does it disrupt the performance on everything else basically. And it has to pass that. We're very careful about what we do. And when we look at that what interventions we have, we kind of shy away from too comprehensive health approach that we have to do everything. We look at a table. What percent causes this amount of child mortality?

[00:38:30] What does the literature say is the efficacy of certain interventions? How are we gonna be good at that? We multiply those things through, get a probabilistic view of where we're likely to have our impact, and we focus on that. And we say no to many of those other things because less is more, often in that regard. And ditto spreading geographically.

[00:39:00] We have opportunities to go to other countries or other parts of the country, and it feels like what you should be doing all the time. But it's like ... you're nodding with experience there. It's not necessarily the most cost effective thing to do because you have a fixed cost. It takes up enormous amounts of bandwidth for management as well. So saying no to those things. And then, we want to test things. We're so innovative. We have all these things. Oh, what if we test this? Let's test that. And then you end up doing so much, and so you say no to the small things. And you say, "What, if we're to do a process innovation or a new service, what is really ... has the potential to catapult us towards our strategic vision, basically?" And you apply probabilities to this. Will it work? And you say no to the other stuff.

[00:39:30] So you have to be very hard headed because there's an opportunity cost to everything basically.

Alicia Philips : I imagine it's hard to assess the impact of something too, if you try too many things simultaneously.

Shaun C.: Yeah. Because what caused what? Right?

Alicia Philips : No control trial. Or not control group.

Shaun C.: Exactly. Yeah. Yeah.

Alicia Philips : Maryana, you're nodding a lot.

Maryana I.:  
[00:40:00] Just not to repeat, because I think that those things are all absolutely right. If I think about some of the more difficult choices when we had to sit in a room and say, "What do we do?" I think it depends a lot on your stage of development, so when you are new to the market and you have no employer partners, you can't be picky. We can glorify the private sector, but there's a lot of underbelly stuff there. So you have to have a view that I'm gonna work with an employer. I have to meet them where they are and shift them, because I can't make the employer be who I want them to be. And so I think in the early days, when we were just trying to build a reputation in the market, you sit down in front of an employer. They say exclusionary things. They say things about how they hire. They say things that ... and you can be ideological about it or you can say, "What is the goal of what we're trying to do? We're trying to work with them to understand what the opportunities are in their business."

[00:41:00] We often talk about making the young people manager proof, because the reality is actually most of us don't have good managers. And so if you think you're gonna send somebody into an employment context, and then the manager's gonna make them magical, I think that that's wishful thinking. And so, a lot of the work has been saying ... but there are litmus tests. So if we think we're in a situation where the young person's not gonna be in an environment that is acceptable, then we walk away. And now, I think that's much easier to do because now you say, "We work with 400 partners. This is our model. Do you want it or don't you want it?" And we didn't have that luxury in the early days. And so, really trying to decide what were the kind of bright lines, and what were the places where you had to say, "We are a change agent."

[00:41:30] And so being a change agent means you have to take the market where it is and shift the market, not fantasize about the market that you wish you had. And I think, similarly on the kind of the .... expanding. So, people have been asking us to expand the model beyond South Africa since the first year, and we said, "We don't know anything about the labor market anywhere else. We have to have proof of concept. We just have to make sure what we're doing works."

[00:42:00] And I think not getting ahead of yourself and not fantasizing about things that are not true, and when you know how much execution and bandwidth is required to actually just deliver what you have to deliver every day, I think that that really makes it easy to say no. I think it's trying to find the ways of making it easy to say no.

Alicia Philips :  
[00:42:30] Maybe this is a [inaudible 00:42:08] We did talk a little bit about kind of financing and financing models, and how things get started and then grow. And just for context, and this was partly my motivation on asking about no question. In the time I worked in a startup, it was bootstrap startup. Which means, essentially, it did business and used the money to reinvest in the company to grow more business. It did not raise a round right out of the box. And we were really careful about being choosy. When would we raise our round? They eventually did, but that was a choice that they made. And so, in the beginning there was a lot of this you take ...

there was clients you love and there's clients you don't love, but you work with all of them because that's gonna grow you.

[00:43:00] That's a specific choice that this one particular firm made given the market it was working in. The hybrid between things that have social impact outcomes and social development, economic development, or human development outcomes, that match up against the private sector ... this has become a very trendy, for lack of a better word, space to talk about how to make investments. Tell us a little bit about what type of financing is actually required to start something like this? You talked about you thought government would pay half and the companies would pay half. Sounds like that didn't work. What did it turn out was necessary in the upfront? I'm not trying to pry into your financing. I want people just to understand. What did you need?

[00:43:30] Shaun C.: We needed unrestricted funding from philanthropists, which is a big percentage of our funding, that kind of bought into what we're trying to achieve that kind of was trusted us to work it out, as opposed to being prescriptive, it has to be like this. Trusted us to fail as well as succeed. Because if that funding is attached, it's so risk averse ... then, you're just going to manage to have kind of a safe thing, which isn't going to be disruptive and isn't necessarily gonna be impactful. You're trying to avoid failure as much as achieve success. And that's not gonna be transformative.

[00:44:00] And our impact is two fold. It's directly the impact we have, the lives we save, the mothers as well as the children we affect. But it's also the multiplier impact of changing the system, et cetera. So that second level of impact, which really can be the biggest part, you're not gonna really get into that if that funding is too risk averse, basically. So from us, we generate a good percentage of our ... costs are covered by sales revenues we generate. 100 percent of the cost of the goods, 100 percent of the income that goes to the community health promoter, and a good percentage of our distribution costs are covered by that. So that's one source of funding.

[00:44:30] And ultimately, one of the things that we're looking to do is to actually get government to pay as well for what we do, as a service, and basically to subcontract out to us, or to adopt the model themselves or versions of it. One thing that, I think, we're now thinking that would both accelerate the chances of that happening and crowd in additional funding for community health, beyond Living Goods, but for the sector, is a little of what you were referring to about paying for performance. Our model lends itself to that. We have these very clear metrics. Everything is tracked on the smart phones. Everything is GPS stamped, time stamped. You can do ... we have independent quality control verify this. And the value for money is incredible with what you can get. And money in east Africa stretches so far. Maybe people will argue over the metrics, but for a thousand or two thousand dollars you can save a child's life.

[00:45:00] And we have an RCT to back that up. For a few dollars, you can treat a child with malaria. For say \$20, you can make sure a child that wasn't immunized completes

[00:46:00] their immunization course. And so, if you can demonstrate the results and you can get people to pay for those results and use technology perhaps to do that, I think it will crowd in funding. It allows governments to become more comfortable with what they're paying for. And it drives impact, because if we're paid for what we deliver, then we're just focusing so much on how we can do that. And I think that's great for the sector.

[00:46:30] There are challenges with that. Incentives can always have adverse effects. But there are ways of mitigating that. And the risk of not doing it may be greater than the risk of doing it. So we would have a hybrid version of funding from the revenues, from philanthropists, from [inaudible 00:46:34] phasing hopefully to government. We're not just focusing on the who, we're focusing on the how of payment as well, such as payment for results.

Maryana I.:  
[00:47:00] I mean, maybe just to be additive, because I think a lot of those things have applied in our model, is our thinking has shifted from the early days of saying, "How do we finance what we are doing?" Which is how you survive in critical ethic in the kind of early days of any enterprise. I think what's shifting now is we are saying, "It doesn't matter how much we do. It's never actually gonna make a dent at a numbers level."

[00:47:30] Our delivery ... so we do 40,000 jobs, that a great number but that's not enough for what the size of the problem is. So the question now is to say, "What does the ecosystem need to be financed? And what are the things that make sense that somebody pays us to do?" Versus, actually us getting monies for other people. And so, when I talk about the pay for performance, the idea is to operate as an intermediary to actually help governments finance other organizations, in addition, that can deliver that same kind of result.

[00:48:00] We convened our funders, because many of them fund in the education space, to say, "We're not asking you for your money, but how do we think about the investments that you can be making in education that are gonna result in young people being ready to be transitioned in to jobs?" And so I think a lot of it is to try to say ... if we're trying to create more shared services for the economy in terms of the work that we do, we run these psychometric assessments as an example. We have a non profit license for those assessments. And we run them at scale to the point no company could replicate the costs. So we have the benefit of being able to ... we have done 1.5 million assessments. We have a lot of data that sits behind that.

[00:48:30] We can't productize the assessments, let's go sell it to the market, because that's how we got the non profit rate. 'Cause everybody's got ideas for everything we can do to be kind of selling things that we can't actually sell. But we can think about, again, how to use that data in a clever way to be able to generate some kind of revenue that makes sense for what the model is. We operate a contact center, I was explaining to Shaun earlier, is data costs in South Africa are actually incredibly high. So the kind of fantasy about mobile phones being the solution to a lot of things just is not a reality in our context. But the phone is actually quite an effective form of communication in terms of a way of an individual to have a conversation

[00:49:00] with another individual, deliver an assessment, deliver a bunch of other things. We make about a million calls a month to young people through our contact center.

[00:49:30] One of the challenges that we have for the higher complexity jobs that actually you're trying to close a schooling gap, is that we can't afford to keep the young people doing some of the things that are required to improve their English for long enough to be able to do that. Why couldn't we, which is what we've done, partner with one of the telecommunications companies, where they actually give us kind of real work in terms of simple call types that a young person in a training program can do? And that they recover the cost of the contact center, so the contact center becomes not a cost center, it sort of manages itself. And so I think, again, trying to understand for each element of what you're trying to achieve, who would be willing to pay for what in a way that doesn't take you off mission, that doesn't distract you from the things that you need to be doing, and trying to, I think, now say we have a better sense of what the broader ecosystem needs to have financed.

[00:50:00] And how do we play the role that makes the most sense for us to play?

And increasingly ... because I really do think a lot of good organizations do good work and struggle with funding, they struggle for reasons that are sometimes not really easily in their control. And if we can play more intermediary roles of helping governments say these are lots of other organizations that can deliver the same result, how do we sort of channel money and help be a channeler of effective money as opposed to assuming we're gonna take it all or spend it all ourselves?

[00:50:30]  
Alicia Philips : I think we've probably got time for kind of one more exchange, and I wondered if maybe a good way to leave folks is ... there must have been some surprises along the way in this exercise so far. These are both new approaches to challenges that have been around for quite some time. They're not a new problem, but it is a new way to go at them. And you're working across such a variety of stakeholders, government, employers, communities, medical services. What surprised you about how you were received in this space? What surprised you most as you kind of stepped into this space? Because I think hearing from folks who have been through the process of starting something up or growing something to scale ... hearing about what they didn't expect, good or bad, can really help people understand kind of their appetite for stepping in.

[00:51:00]

Shaun C.: Well, I think we're surprised every day basically about something, good or bad.

Alicia Philips : Ten minutes ago I think.

Shaun C.: I think, in keeping it brief, I think the biggest thing's a pleasant surprise about the receptiveness of our community health promoters to our smartphones and our mobile apps, and how effective that is within the community. It's not just being foisted on them. In training, they just take to this. I would say we incorporate it in the training. And it's just natural. And they use the workflows that we have on the smartphones. And it just multiplies their capacity. And they love it. And they just ... it gives them status. They've got the smartphone. They're really pleased with that.

[00:51:30]

[00:52:00] And just to see how it has released the potential of these people, multiplied their capacity, and just becomes this natural tool.

And in remote locations, with people who don't have high levels of education, so it's just a fantastic positive surprise that just bodes very well for the future.

Maryana I.: I think exactly that. I think we've been surprised, even though maybe we shouldn't have been, by how much young people really can do for themselves, and again, this idea of thinking of them as customers. So the amount of ... if you think about the behavior change methodology that we use in some of our programs, it does not require a teacher to do anything or a facilitator, because once you say to young people, "This is your score card. This is what you're gonna be measured on." And it's clear to them sort of their own potential to get to those places kind of much faster has been, I think ... surprises us every day in a really important and positive way.

[00:53:00] The second, which again maybe shouldn't be a surprise but it is, is we are in a complex political environment as many other countries are. And jobs are the number one issue for every politician. And I think, again, trying to navigate that space intact and protecting our brand and making sure that we're understood not to be used as a political tool by many governments who want to take credit. And so, in some instances, surprised that people would play politics with youth jobs, and that politicians would say, "If we're gonna do this, we need this, this and that." And, at some point, you have to say, "That's not who we are."

[00:53:30] And so I think as political environments get more complicated and I think jobs become the contested political issue of the day, I think trying to really understand how to navigate that in a way that doesn't close off opportunities for scale, and for working with governments, but that really manages that in a way that is about your brand, and about who you are, and about what is gonna be needed to sustain yourself.

Alicia Philips : Thank you. Thank you both. I think hearing kind of surprised us both about the resonance of a solution as well as the complexity of the challenge is a good way to kind of conclude a conversation that has ranged across a variety of things. I really appreciate it. So, I wanna thank both Maryanna Iskander from Harambee and Shaun Church from Living Goods.

Maryana I.: And thank you. Appreciate it.

Shaun C.: Thank you very much.